MINUTES OF THE FINANCE & AUDIT COMMITTEE MEETING OF THE CONVENTION CENTER AUTHORITY OF THE METROPOLITAN GOVERNMENT OF NASHVILLE & DAVIDSON COUNTY

The Finance & Audit Committee Meeting of the Convention Center Authority of the Metropolitan Government of Nashville and Davidson County (CCA) was held on September 27, 2012 at 8:00 a.m. in Room 103 at the Nashville Convention Center, Nashville, Tennessee.

FINANCE & AUDIT COMMITTEE MEMBERS PRESENT: Mark Arnold, *Francis Guess, Ken Levitan, and Willie McDonald

FINANCE & AUDIT COMMITTEE MEMBERS NOT PRESENT:

OTHERS PRESENT: Charles Starks, Elisa Putman, Heidi Runion, Natasha Blackshear, Buford Manley, Ryan Johnson, Bob Lackey, and Holly McCall

The meeting was opened for business by Committee Chair Mark Arnold.

ACTION: Francis Guess made a motion to approve the Finance & Audit Committee minutes of May 31, 2012. The motion was seconded by Willie McDonald and approved unanimously by the committee.

Charles Starks was asked to discuss the operating budget for the Music City Center. (Attachment #1) There was discussion.

ACTION: Willie McDonald made a motion to recommend to the Authority the approval of the Short-Period 2013 Fiscal Year Operating Budget and the Initial 2014 Fiscal Year Operating Budget to fund the activities and operations of the Music City Center. The motion was seconded by Ken Levitan and approved unanimously by the Committee.

* Denotes departure of Francis Guess

There was additional discussion.

With no additional business a motion was made to adjourn, with no objection the Finance & Audit committee of the CCA adjourned at 8:55 a.m.

Respectfully submitted,

Charles L. Starks
Executive Director
Nashville Convention Center

Approved:

Mark Arnold, Chairman
CCA Finance & Audit Committee
Meeting Minutes of September 27, 2012

MUSIC CITY CENTER OPERATING BUDGET

Revenue Assumptions

- Building Rental
  - Firm Business (as of 7/20/12)
  - Tentative Business (as of 7/20/12) at average conversion rate (33%)
  - To-Be-Booked Business – calculated remaining available exhibit hall square footage and added future business based on HVS occupancy projections
  - Current FY2014 Firm and Tentative Business (33%) will generate over $200 million in Economic Impact

Revenue Assumptions

- F&B
  - Firm Business (as of 7/20/12)
  - Tentative Business (as of 7/20/12) at average conversion rate (33%)
  - To-Be-Booked Business – calculated remaining available exhibit hall square footage and added future business based on HVS occupancy projections
  - Additional $1 million for social catering in FY14
  - Additional $1.86 million for social catering in FY17
  - Accounted for reduction of retail space since HVS study

Revenue Assumptions

- Event Services Net
  - All revenue is to-be-booked business
  - Calculated NCC historical revenue per exhibit hall square foot occupied
  - Applied rate to HVS MCC exhibit hall occupancy projections
  - Expenses calculated using historical event related expenses as a percentage of event related revenues (i.e. – Security, EMTs, Event Labor)

Revenue Assumptions

- Parking Net
  - FY 2014 and beyond – Haahs Study revenue and expenses spread over 12 months
  - Assumes no monthly contract parking

Revenue Assumptions

- Other
  - Advertising
    Based on HVS projection
  - Retail Space
    Based on anticipated square footage available
  - Other Revenue
    Based on historic miscellaneous and interest income of NCC

Expense Assumptions

- Personnel
  - FY 2014 & FY 2017 Salaries based on Cushion report
  - Benefits calculated at 26.38% of salary for CCA employees
  - Benefits calculated at 35.92% of salary for Metro employees
  - HVS study based benefits at 30% of salary

Expense Assumptions

- F&B
  - Determined the average profit as a percentage of gross revenue provided under the $0 contribution & management fee scenario as submitted by the 3 RFP finalists
  - Percentage (27.75%) was then applied to the F&B revenue projections for each year

Expense Assumptions

- Cleaning
  - Assumed HVS projections and spread by historical operating cost
  - Added $100k based on estimates received in FY 2014 and FY 2017 for window cleaning (twice annually)

Expense Assumptions

- Repair & Maintenance
  - Received estimated amounts on the following systems:
    - Fire
    - Security
    - Mechanical
    - Vertical Transportation
    - Operable Walls
      - Assumed May 1, 2014 commencement
  - Deducted from HVS projections any known contract amounts that were less than HVS projections

Expense Assumptions

- Admin & General
  - Assumed HVS projection and spread by historical operating cost

Expense Assumptions

- Marketing & Sales
  - Assumed HVS projection and spread by historical operating cost

Expense Assumptions

- Utilities
  - Estimates received from NES, DES, Piedmont Gas, and Metro Water
  - Communications expenses as provided by AT&T and Comcast

Expense Assumptions

- Other Expenses
  - Estimates were made for other known expenses not included in previous categories (computer hardware, software, medical aid, safety equipment)

Expense Assumptions

- Insurance
  - Based on estimates provided by Willis for FY 2014. Increased by 4% annually through FY 2017.
  - Capital Maintenance Reserve – Eliminated for FY 2014. Reinstated for FY 2017 at 5% of gross revenue as defined by HVS.
  - Other Non-Operating - $250,000 for FY 2014 and FY 2017

FY 2013

- Shortfalls Covered by:
  - Pre-opening money
  - Revenues raised by bringing parking on early
  - Expenses absorbed in the NCC FY 2013 operating budget
  - Surplus Tourism Tax Collections

	FY16				FY17			
Revenue	**HVS**	**Proposed**	**Variance**	**% of HVS**	**HVS**	**Proposed**	**Variance**	**% of HVS**
Facility Rental	$6,197,000	$3,749,336	-$2,447,664	61%	$7,545,000	$6,922,145	-$622,855	92%
Food & Beverage (Gross)	$12,025,000	$7,675,699	-$4,349,301	64%	$15,781,000	$12,595,520	-$3,185,480	80%
Advertising & Sponsorships	$110,000	$110,000	$0	100%	$119,000	$119,882	$882	101%
Event Svcs (Net)	$1,890,000	$3,057,496	$1,167,496	162%	$2,288,000	$3,709,192	$1,421,192	162%
Net Retail Space Income	$184,337	$42,371	-$141,966	23%	$199,000	$78,550	-$120,450	39%
Ticket Tax Fees	$0	$0	$0	100%	$0	$0	$0	100%
Other Revenue	$413,930	$50,000	-$363,930	12%	$446,000	$53,045	-$392,955	12%
Total	$20,820,267	$14,684,903	-$6,135,364	71%	$26,378,000	$23,478,333	-$2,899,667	89%
Operating Expenses								
Salaries	$7,790,000	$6,457,467	-$1,332,533	83%	$8,389,000	$7,308,496	-$1,080,504	87%
Benefits	$2,337,000	$1,966,471	-$370,529	84%	$2,517,000	$2,240,124	-$276,876	89%
Food & Beverage	$7,816,000	$5,545,692	-$2,270,308	71%	$10,258,000	$7,758,888	-$2,499,112	76%
Cleaning	$1,150,000	$1,250,000	$100,000	109%	$1,381,000	$1,436,459	$55,459	104%
Repair & Maint	$1,658,000	$808,150	-$849,850	49%	$1,984,000	$1,450,636	-$533,364	73%
Administrative & General	$552,000	$552,000	$0	100%	$594,000	$600,469	$6,469	101%
Marketing & Sales	$386,000	$386,000	$0	100%	$416,000	$420,116	$4,116	101%
Utilities	$2,531,000	$5,311,436	$2,780,436	210%	$2,695,000	$5,829,453	$3,134,453	216%
Other Expenses	$425,000	$139,400	-$285,600	33%	$538,000	$149,481	-$388,519	28%
Total	$24,645,000	$22,416,616	-$2,228,384	91%	$28,772,000	$27,194,121	-$1,577,879	95%
Operating Income (Loss)	-$3,824,733	-$7,731,713	-$3,906,980	202%	-$2,394,000	-$3,715,788	-$1,321,788	155%
Non-Operating Expense								
Insurance	$433,000	$653,000	$220,000	151%	$467,000	$734,536	$267,536	157%
Management Fees	$0	$0	$0	0%	$0	$0	$0	0%
Capital Maint Reserve	$1,041,000	$0	-$1,041,000	0%	$1,319,000	$1,173,917	-$145,083	89%
Other Non-Operating	$500,000	$250,000	-$250,000	50%	$500,000	$250,000	-$250,000	50%
Total	$1,974,000	$903,000	-$1,071,000	46%	$2,286,000	$2,158,453	-$127,547	94%
Total Net Income (Loss)	-$5,798,733	-$8,634,713	-$2,835,980	149%	-$4,680,000	-$5,874,240	-$1,194,240	126%
Parking Net Income **	$3,520,100	$3,777,800	$257,700	107%	$4,586,000	$4,586,000	$0	0%
Total Net Income (Loss) w/Parking	-$2,278,633	-$4,856,913	-$2,578,280	213%	-$94,000	-$1,288,240	-$1,194,240	1370%